While the 24-hour-a-day news channel may not be an appropriate model for an over-the-air station, there can be little question that newspaper-television cross-ownership would clearly enhance local television news programming -- the Commission's core programming diversity objective. Such action would help to overcome the significant entry barriers to the start-up of new local news broadcasts discussed above. While many of the same capital investments would still be necessary, a newspaper would provide depth and credibility to a new local newscast and increase the chances it would establish a local audience -- a result that would lead to new television news programming and increased television news competition. As Tribune has demonstrated, newspaper content can be transformed into new video news programming -- news programing that has been kept from over-the-air viewers by the Rule and the Commission's restrictive waiver policy.

There is little risk from the liberalization of the Rule or its waiver policy in the larger markets. Newspaper companies like Tribune, far more than any individual television station owner, have already invested extensively in developing news gathering resources. These newspaper companies are increasingly interested in reformatting that content to reach a younger audience that relies less and less on newspapers for their news and information -- a reformatting process that will continue to the exclusive benefit of cable subscribers if the Commission fails to act in this proceeding. Permitting cross-ownership will allow these efficiencies to benefit over-the-air viewers by giving the television stations access to news gathering resources that they could never afford independently and create the opportunity for new, enriched local video news programming that would not otherwise be available. Given the Commission's principal focus on enhancing diversity in local news and public affairs programming, Tribune submits that the

Commission should liberalize the Rule or its waiver policy in the largest media markets. In large markets with three or four already established local newscasts, Tribune submits that such a change is necessary to help overcome the significant obstacles impeding the start-up of new local newscasts.

In addition to helping to offset a significant entry barrier to the start-up of new local news broadcasts, the common ownership of a television station and a newspaper would also create possibilities for enhanced political and public affairs programming that would serve the community. Tribune regularly supplements WGN's and CLTV's local election coverage by featuring the Tribune's various newspaper reporters commenting on the races they have covered in the newspaper as well as the Tribune's political commentators interpreting the election results. The news departments of CLTV and the Tribune also collaborate to collect up-to-the-minute local election results from around the city and simultaneously display that information on CLTV (on a repeating crawl message) while posting it on both CLTV's and the Tribune's websites. Tribune similarly enhances its coverage on both CLTV and WGN of the Governor's State of the State address by featuring Tribune's writers who cover the governor and the Illinois State House and who again add depth and nuance to the coverage. Because this kind of enhanced local political coverage lies at the core of the First Amendment's concern for a well-informed citizenry, Tribune submits it is yet another local programming diversity factor supporting the liberalization of the waiver policy.

The common ownership of the newspaper and television station also would permit Tribune to invest heavily in developing its websites where it can make its content available in yet another format. Tribune has invested substantial resources in creating websites that provide up to the minute news (with stories that sometimes have not appeared in the newspaper) and local community affairs information -- news and information that is supplemented with video news programming from WGN-TV and CLTV. The Internet eliminates the space constraints faced by a newspaper. Its users are now increasingly demanding video content to supplement textual information. The common ownership of a newspaper and television station provides a significant opportunity to enhance the news and information made available to the public in yet another new format -- a result that Tribune submits is decidedly in the public interest.

Finally, to the extent that the presence of newspaper content and newspaper reporters on television raises the visibility of newspapers among a younger generation of non-newspaper readers, Tribune submits that the public interest will also be served. This increase in visibility, plus the obvious possibility of public service campaigns between media promoting newspaper readership, raises the real prospect of improving newspaper literacy in younger generations. For these reasons, Tribune submits that the time has come for the Commission to liberalize the Rule or its waiver policy (at the very least) to permit local, over-the-air viewers to benefit from the many positive enhancements that the common ownership of a newspaper and television station creates. There can be little doubt that these enhancements will serve the public interest.

VII. CONCLUSION

The modern media marketplace has rendered the Commission's cross-ownership rule and related waiver policy obsolete. In addition, the Rule does not and possibly never has served its intended purpose of furthering programming diversity. Indeed, in today's competitive media market -- in which ownership restrictions have been lifted for virtually all other combinations -- the Rule is actively impeding newsgathering synergies that would improve the scope and content of local news broadcasts and public affairs programming. The Rule elevates form over substance by ignoring various media that compete with the over-the-air television industry for audience share. For these reasons, Tribune respectfully requests that the Commission propose to repeal the Rule in its entirety or, at a minimum, substantially liberalize its waiver policy in the largest media markets.

Respectfully submitted:

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ATTACHMENT 1

DECLARATION

I, Jack Fuller, hereby declare as follows:

1. I am the President of Tribune Publishing Company. In my capacity as President of Tribune Publishing, I am responsible for the oversight and control of all publishing operations for Tribune Company, including the Company's four daily newspapers and ChicagoLand Television News, Inc. ("CLTV"), the Company's 24-hour cable news station. Prior to being named President of Tribune Publishing, I worked in various capacities in the newspaper industry for over 36 years. A copy of my biography is attached hereto.

2. The newsgathering and reporting of the Company's various media are founded on the principles of honesty, integrity and dedication to accurate reporting. The greatest asset of each of Tribune's media is the public trust that comes from consistent, truthful reporting of the news. The business of the Company's media franchises would suffer if the public thought their news reporting was anything but impartial. On many occasions, the Company's media franchises have reported critically on the activities of the Company or one of its business units.

3. The Company protects the public trust by engaging professional journalists to investigate and report the news. The Company also recognizes that public expectations for print, broadcasting and online media vary significantly. For this reason, the Company allows the operators of each media franchise to engage their own journalists and select programming or content that is appropriate for their audience. The result is the production of news content that necessarily varies in approach and perspective among the Company's media operations.

Jack Fuller

TRIBUNE

Biography

JACK FULLER

President,
Tribune Publishing Company

Jack Fuller became president of Tribune Publishing Company in May 1997. He started as a copyboy at the Chicago Tribune when he was a 16-year-old high school student and later served as a Tribune reporter in Chicago and Washington, D.C. As editor of the editorial page of the newspaper, he won the Pulitzer Prize for editorial writing in 1986. In 1989, he became editor of the Chicago Tribune and later was appointed publisher and CEO.

In 1969 and 1970, he was an enlisted man in the United States Army, including a year as a Vietnam correspondent for Pacific Stars and Stripes. He also served as a special assistant to the U.S. Attorney General in 1975 and 1976.

A native of Chicago, born October 12, 1946, Mr. Fuller holds a bachelor's degree in journalism from Northwestern University and a juris doctorate from Yale Law School. He is on the board of directors of the Robert R. McCormick Tribune Foundation and the Inter-American Press Association; a trustee of the University of Chicago and The Field Museum; a member of the Pulitzer Prize Board and the Inter-American Dialog; and a Fellow of the American Academy of Arts and Sciences.

Mr. Fuller is the author of "News Values: Ideas for an Information Age" and five novels: "Convergence," "Fragments," "Mass," "Our Fathers' Shadows" and "Legends' End."

ATTACHMENT 2

An Economic Analysis of the
Cross-Ownership of WBZL and
the Sun-Sentinel

Roger D. Blair
Department of Economics
University of Florida

July 1, 1998

AN ECONOMIC ANALYSIS OF THE CROSS-OWNERSHIP OF STATION WBZL(TV) AND THE SUN-SENTINEL

I. Introduction.

The Tribune Company indirectly owns television station WBZL(TV), Channel 39, Miami, Florida (formerly WDZL). The Tribune Company also indirectly owns the Sun-Sentinel, a daily newspaper published in Fort Lauderdale, Florida. I have been retained on behalf of the Tribune Company to perform an economic analysis of various issues raised by the common ownership of WBZL and the Sun-Sentinel with respect to certain concerns of the Federal Communications Commission (FCC) regarding economic competition and diversity.

I am the Huber Hurst Professor of Business and Legal Studies in the Department of Economics at the University of Florida in Gainesville, Florida. I formerly served as Chairman of the Department of Economics and as Associate Director of the Public Policy Research Center. My major fields of academic concentration are antitrust economics, industrial organization, and applied microeconomics. I received my Ph.D. in economics from Michigan State University in 1968. I have taught economics at the University of Florida since 1970, with the exception of the times that I have taken for visiting professorships or leaves. During my academic tenure, I have served as a consultant on antitrust matters for the Federal Trade Commission, the Antitrust Division of the United States Department of Justice, the

Florida Agency for Health Care Administration, and the Attorneys General of Arizona, California, Connecticut, Florida, Missouri, Oregon, and Washington.[1]

II. The General Methodology for the Competitive Analysis of the Cross-Ownership of WBZL and the Sun-Sentinel.

In evaluating the competitive significance of the cross-ownership of WBZL and the Sun-Sentinel, I have relied upon customary and standard antitrust methodology. To start, the relevant market for the analysis must be defined; the relevant market has both a product dimension and a geographic dimension. Once the relevant product and geographic markets have been defined, standard and customary antitrust methodology can be applied to determine whether market power is present and whether a market is concentrated or competitive.

A. Standard Methodology: The Product Market.

The essence of the product market definition inquiry is to identify those goods and services that are reasonably good substitutes for one another in consumption. In defining the relevant product market, one ignores geographic or locational considerations and centers on reasonable substitutability on the demand side. The idea is to capture all of the goods and services that have a high cross-elasticity of demand. The cross-elasticity of demand measures the relative responsiveness of the quantity demanded of product A to changes in the price of

[1] My academic and professional qualifications to provide expert economic analysis of the issues regarding competition and diversity posed by the cross-ownership of WBZL and the Sun-Sentinel are set forth in Exhibit A to this Report.

product B. If the cross-elasticity of demand is positive -- consumers buy more of product A when the price of product B rises -- then product A and product B are substitutes.[2]

B. Standard Methodology: The Geographic Market.

As a general proposition, the relevant geographic market identifies the area within which sellers can turn for consumers of their goods or services and buyers can turn for suppliers of those goods or services. Again, the idea is one of reasonable substitutability, but in the geographic context the inquiry is over the sources of supply. In other words, is the product sold by Business A substitutable for the product sold by Business B in the sense that the locations of Business A and Business B are sufficiently close together that buyers can reasonably turn to Business B if they are unhappy with the price or quality of service offered by Business A? If the answer is "yes," then A and B are in the same geographic market.[3]

C. Standard Methodology: Market Power.

A seller is said to have market power if it can profitably raise price above the competitive level. A firm's ability to do this will be influenced by alternatives that are available to the buyers, the ability of the firm's rivals to expand their output in response to a

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[2] See, e.g., Roger D. Blair and David L. Kaserman, Antitrust Economics (1985), at 108; Herbert Hovenkamp, Federal Antitrust Policy (1994), at 98.

[3] Blair and Kaserman, Antitrust Economics, at 107; Hovenkamp, Federal Antitrust Policy, at 108.

price increase, and the size of the firm in question. As Landes and Posner have shown, one may write an index of market power as

$$L = \frac{S}{\eta + \epsilon(1\text{-}S)}$$

where S represents the share of the firm in question, (1 - S) represents everyone else's share, η is the elasticity of demand, and ϵ is the elasticity of supply.[4]

Intuitively, these relationships make sense. As its market share rises, a firm's ability to deviate from competitive price levels increases. This is consistent with the usual inference regarding the importance of market share as an indicator of market power. To the extent that the market share of sales provides an indication of the firm's share of capacity, it will provide an indication of the firm's ability to control output in the market. This, in turn, provides a means of influencing price. Thus, all else being equal, market share is indisputably important in assessing market power. In cases where a firm's market share is less than 30 percent, it is extremely unlikely that the firm will have any meaningful market power. For example, the Supreme Court has held that a market share of 30 percent was insufficient as a matter of law to confer market power on a firm.[5]

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[4] William M. Landes and Richard A. Posner, Market Power in Antitrust Cases, 94 Harvard Law Review 939 (1981).

[5] Jefferson Parish Hosp. Dist. No. 2 v. Hyde, 466 U.S. 2 (1984); see Antitrust Law Developments, ABA Antitrust Section (4th Ed. 1997), at 236 ("courts virtually never find monopoly power when market share is less than about 50 percent").

Market share alone is not dispositive; the elasticity of demand (η) is also important. The more elastic the demand, the less able a firm is to deviate from competitive pricing. This rings true because the elasticity of demand measures the relative responsiveness of the quantity demanded to changes in price. When demand is relatively elastic, buyers will substantially decrease the quantity purchased when price increases. In effect, buyers will substitute other products, limiting the firm's ability to increase price.

The elasticity of rivals' supply (ϵ) is also important because it measures the ability of the firm's rivals to expand output in response to a price increase. The more elastic the rivals' supply, the less able the firm will be to raise price because any price increase will elicit a substantial increase in output. This increase in output will defeat to some extent the firm's efforts to increase price by restricting its own output.

In summary, in order to assess the power of WBZL and the Sun-Sentinel, now under common ownership, to raise the price of their product in the relevant geographic market, one must have data on (1) their combined market share, (2) the elasticity of demand for advertising, and (3) the elasticity of supply of rivals in the advertising market.[6] In instances where a firm's market share is insubstantial, it can have no market power. As discussed above, in Hyde, the Supreme Court found that a market share of 30 percent was

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[6] In Federal Antitrust Policy, at page 82, Hovenkamp points out that "in order to estimate a firm's market power we must gather some information not only about a firm's market share, but also about the demand and supply elasticities."

insufficient to confer market power.[7] Similarly, in instances where the firm's rivals can readily expand their outputs, the subject firm's efforts to restrict output will be frustrated.

D. Standard Methodology: Market Concentration.

Due to its prominence in the Department of Justice ("DOJ") and Federal Trade Commission ("FTC") Merger Guidelines, the Herfindahl-Hirschman Index ("HHI") has become a statistic of choice for summarizing concentration in a market.[8] The HHI is calculated as the sum of the squared market shares of the participants times 10,000:

$$HHI = \left(\sum_{i=1}^{N} S_i^2\right)(10{,}000)$$

where S_i is the share of firm i, N is the number of firms, and Σ is the summation operator.

In an effort to reduce uncertainty regarding the enforcement policy of the DOJ and FTC, these agencies published a set of horizontal merger guidelines utilizing an HHI

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7 Hyde, supra, 466 U.S. 2 (1984).

8 It should be remembered that the HHI is just a summary statistic. While it is useful in conveying some information about concentration, it does not correlate perfectly with economic performance. In some markets, concentration will be high, but intense economic rivalry will produce prices and outputs that approximate competitive levels. In other concentrated markets, there may be an absence of intense rivalry with prices and outputs that are near the monopoly level. In other words, in a highly concentrated market, one may observe noncollusive outcomes that span the spectrum from competition to monopoly.

analysis.[9] The general enforcement standards are couched in terms of HHI statistics based on a belief that highly concentrated markets may perform poorly in an economic sense. The Guidelines for horizontal merger enforcement are set forth in Section 1.51:

> a) Post-Merger HHI Below 1000. The Guidelines regard markets in this region to be unconcentrated. Mergers resulting in unconcentrated markets are unlikely to have adverse competitive effects and ordinarily require no further analysis of the proposed combination.
>
> b) Post-Merger HHI Between 1000 and 1800. The Guidelines regard markets in this region to be moderately concentrated. Mergers producing an increase in the HHI of less than 100 points in moderately concentrated post-merger markets are unlikely to have adverse competitive consequences and ordinarily require no further analysis of the proposed combination. Mergers producing an increase in the HHI of more than 100 points in moderately concentrated post-merger markets may raise significant competitive concerns, depending on an analysis of the factors set forth in Sections 2-5 of the Guidelines.
>
> c) Post-Merger HHI Above 1800. The Guidelines regard markets in this region to be highly concentrated. Mergers producing an increase in the HHI of less than 50 points even in highly concentrated post-merger markets are unlikely to have adverse competitive consequences and ordinarily require no further analysis of the proposed combination. Mergers producing an increase in the HHI of more than 100 points in highly concentrated post-merger markets potentially raise significant competitive concerns, depending on an analysis of the factors set forth in Sections 2-5 of the Guidelines. Where the post-merger HHI exceeds 1800, it will be presumed that mergers producing an increase in the HHI of more than 100 points are likely to create or enhance market power or facilitate its exercise. The presumption may be overcome by a showing that the factors set forth in Sections 2-5 of the Guidelines make it unlikely that the merger will create or enhance market power or facilitate its exercise in light of market concentration and market share.

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9 Department of Justice and Federal Trade Commission Horizontal Merger Guidelines, April 2, 1992.

Thus, it is only in cases where the post-merger market structure is highly concentrated and the change in concentration is fairly substantial that the DOJ or the FTC presumes an anticompetitive effect of the merger. Even in that circumstance, the presumption may be overcome by other economic evidence.

After determining the HHI and the change in the HHI due to the proposed common ownership, the antitrust enforcement agencies consider a host of other factors before reaching a conclusion on the competitive significance of a merger that raises any questions under the structural tests. For example, under Section 1.521, the DOJ and the FTC will examine changing market conditions and substitutes that have been omitted from the product or geographic market definition to see whether the HHI overstates the competitive significance of a proposed merger.

In Section 2, the Guidelines call for an examination of a variety of factors that may inhibit or facilitate coordinated or unilateral noncompetitive behavior. With respect to coordinated behavior, the Guidelines point out that successful coordination requires (1) agreeing on the terms of coordination that are profitable to the firms involved, (2) policing the agreement so that cheating can be detected, and (3) a mechanism for punishing the cheaters. The Guidelines recognize that product heterogeneity and firm heterogeneity make agreement on terms very difficult, and that with respect to detection and punishment, speed is of the essence. If either detecting cheating or punishing it is slow, there will be greater incentives to cheat and the possibility of coordinated behavior will be greater.

In Section 3, the Guidelines call for an examination of the ease of entry into the relevant market. The easier it is to enter the market, the less likely that a proposed combination will lead to noncompetitive pricing. This, of course, follows because supra-competitive pricing will attract entry.

In Section 4, the Guidelines explicitly recognize that common ownership may enhance efficiency.[10] In this case, the benefits that flow from improved efficiency may offset any increase in market power that result from the common ownership.

Finally, Section 5 deals with failing firms. If one of the parties to a merger likely would fail if the merger were not permitted, the merger may be procompetitive.

III. The Competitive Analysis of the Cross-Ownership of Station WBZL and the Sun-Sentinel.

A. The Product Market: Advertising.

The product that WBZL and the Sun-Sentinel both sell is advertising. WBZL, a broadcast television station, sells advertising time while the Sun-Sentinel, a newspaper, sells advertising space. There are other methods of advertising available, however, and there is ample evidence that these other various advertising media are reasonably good substitutes for one another. As a result, for the proper competitive analysis of the proposed cross-ownership

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[10] See Oliver E. Williamson, Economies As An Antitrust Defense: The Welfare Tradeoffs, 58 American Economic Review 18 (1968).

of WBZL and the Sun-Sentinel, the relevant product market includes advertising sold by newspapers, television stations, radio stations, cable television systems, outdoor facilities, publishers of yellow pages, direct mailers, magazines, shoppers, and on the Internet. These advertising media all compete for the same advertising dollar in a significant way. In fact, one expert, Jules S. Tewlow, has characterized the competition between these different methods of advertising as "fearsome."[11]

Unfortunately, there are no detailed econometric studies that isolate the extent to which one advertising medium substitutes for another. A thorough study would yield the cross-elasticities of demand for each media pair, i.e., television v. radio, television v. Yellow Pages, and so on. The signs and magnitudes of the resulting cross-elasticities of demand would provide useful information on which medium substitutes for which other medium. No such study has been done. In part, this is due to the unavailability of sufficient data. Transaction prices paid for advertising space or time generally are not published or made publicly available. Without precise price data, one cannot accurately measure the cross-elasticity of demand. There is much evidence, however, of a more qualitative nature that demonstrates that all of the various media -- including broadcast stations, newspapers, cable systems, yellow pages, direct mail, magazines, shoppers, the Internet, and billboards -- compete with one another.

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[11] Jules S. Tewlow, Are Newspapers in Trouble? Observations on Some Trends and Development in the Newspaper Business, Harvard University Center for Information Policy Research, Aug. 1991.

Academic Study. Numerous academic studies also support the broad definition of the advertising market. For example, Owen and Wildman have examined competition among the advertising media for advertising dollars.[12] Owen and Wildman conclude that most advertisers can substitute one medium for another in response to changes in prices of advertising time or space.[13] With respect to network advertising, they find that there are a number of good substitutes: spot television, basic cable networks and superstations, national magazines, direct mail, billboards, and newspapers.[14] Owen and Wildman even cite an FCC study for the proposition that "spot television, radio, magazine, newspaper, and outdoor advertising constrain the prices of network advertising and that the prices networks charge for viewer exposures reflect competitive forces."[15] Clearly, these alternate media could not constrain the prices of network advertising if they were not reasonably good substitutes.

In another study, Seldon and Jung examined four general types of advertising media: (1) radio and television broadcasting, (2) print (newspapers and magazines), (3) direct mail, and (4) outdoor (billboards and posters). Their empirical analysis found that these various advertising media are fairly good substitutes for one another.[16]

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[12] Bruce Owen and Steven Wildman, Video Economics (1992).

[13] Id. at 12.

[14] Id. at 154.

[15] Id. at 157 citing Entry, Jurisdiction, Ownership, and Regulation, FCC Network Inquiry Special Staff Report (1980).

[16] Barry Seldon and Chulho Jung, "Derived Demand for Advertising Messages and Substitutability Among the Media," 33 Quarterly Review of Economics and Finance 71
(continued...)

Furthermore, Lilien and Kotler identify the media planning problem as selecting among the various advertising media to find the most cost-effective combination of reach, frequency, and impact.[17] Lilien and Kotler explain that "[i]n choosing a combination of media types, the media planner considers . . . the relative cost. On the basis of media impacts and costs, the media planner chooses specific media within each media type . . . that delivers the desired response in the most cost effective way."[18] This can be seen as a constrained optimization problem in which the decision maker maximizes the advertising impact subject to an advertising budget constraint. Importantly, Lilien and Kotler identified the major media types to include newspapers, television, direct mail, radio, magazines, and outdoor.[19]

Using data from 1977, when cable was far less prominent than it is today, Fournier and Martin also examined the market for television advertising.[20] The central concern of their study was whether the FCC restriction on entry had insulated the incumbent television broadcasters from competition. Using various measures of concentration, Fournier and Martin could find no evidence that concentration influenced prices. An obvious

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16 (...continued)
(1993).

17 Gary Lilien and Phillip Kotler, Marketing Decision Making (1983). It is standard in marketing textbooks to teach business students how to optimize the selection of advertising from amongst all media.

18 Id. at 513.

19 Id.

20 Gary M. Fournier and Donald L. Martin, "Does Government-Restricted Entry Produce Market Power? New Evidence from the Market for Television Advertising," 14 Bell Journal of Economics 44 (1983).

implication of the evidence and conclusions supplied by Fournier and Martin is that television stations compete in a broader advertising market and that alternative media are constraining the prices of television advertising.

In another study, Economists Incorporated, a consulting firm in Washington, D.C., conducted interviews with seven advertising agency executives and one media consultant.[21] These executives allocated advertising budgets across media on the basis of cost-effectiveness. Important factors in decision making were effectiveness, cost per thousand, and coverage. Importantly, in response to a hypothetical increase in television prices, these executives stated that they would reallocate advertising dollars to one or more of the following media: cable television, radio, newspapers, outdoor, and direct mail.

The Office of Plans and Policies of the FCC also has recognized that an array of substitutes to video advertising are available, including radio, newspapers, magazines, direct mail, yellow pages, and outdoor advertising.[22] In this same study, the FCC staff also recognized that there are alternatives to advertising that include various promotions such as coupons, conventions and trade shows, and point-of-purchase displays.[23]

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[21] Economists Incorporated, An Economic Analysis of the Broadcast Television National Ownership, Local Ownership and Radio Cross-Ownership Rules, May 17, 1995.

[22] Florence Setzer and Jonathan Levy, "Broadcast Television In A Multichannel Marketplace," Office of Plans and Policy, Federal Communications Commission, June 27, 1991, 8 FCC Rcd. 3996, 4083.

[23] Id. The staff's discussion of audience trends and the resultant impact on the decision of advertisers as to where to spend their advertising dollars is consistent with the constrained

(continued...)

In one of its own studies, the FCC staff implicitly recognized that television shares total advertising revenue with these alternative media.[24] In particular, the staff compared broadcast television advertising revenues to the advertising revenues of radio stations, cable television systems, newspapers, magazines, farm publications, direct mail, business publications, outdoor, yellow pages, and miscellaneous.[25] The staff's discussion of broadcast television's share and trends in shares of the various media would have been pointless if these media were not substitutes for broadcast television.

Advertising Trade Literature. Second, a review of the advertising trade literature confirms that media planning involves all of the various media, including broadcast, print, yellow pages, direct mail, and outdoor. For example, Douglas Johnson reports that cost-per-thousand (CPM) is compared across various media by advertisers.[26] On this basis, many advertisers find billboards economically attractive. Rosemary Reitelberg reports that one advertising agency uses outdoor effectively rather than newspapers for promoting the products of the agency's clients.[27] Keith J. Kelly and Joe Mandese have reported that high prices and

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[23] (...continued)
optimization approach examined below.

[24] "Overview of the Television Industry," Policy and Rules Division, Mass Media Bureau, Federal Communications Commission, March 1992, at pp. 5, 12.

[25] Id. at p. 12.

[26] "The Last Unavoidable Medium: Billboards," 38 Indiana Business Magazine (1994).

[27] Women's Wear Daily (June 16, 1995).

tight availability of television time was apt to cause a reallocation of advertising budgets to other media including outdoor.[28]

A number of other articles support the view that all advertising media, including broadcast, print, direct mail, and outdoor, are substitutable. These articles, for example, compare CPMs across various media,[29] and examine the increased use of outdoor in non-standard ways: for discount stores,[30] for promoting retail products,[31] for grocery stores,[32] for automobiles,[33] for dairy foods,[34] and for insurance.[35] These examples all point to specific cases where advertising dollars are being shifted from one medium to another in the broad product market.[36]

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[28] Advertising Age (June 12, 1995).

[29] Richard R. Szathmary, "The Great and Not So Great Outdoors," 144 Sales & Marketing Management 75 (1992).

[30] Teresa Andreoli, "From Retailers To Consumers: Billboards Drive Message Home," 33 Discount Stores News 14 (1994).

[31] Ann Marie Kerwin, "Retail Wears Outdoor Crown," Inside Media 6 (February 2, 1994).

[32] Terry Hennessey, "Larger Than Life," 73 Progressive Grocer 55 (1994).

[33] Riccardo A. Davis, "Chrysler, VW Year For Outdoors," Advertising Age (Special Report) S-4 (1993).

[34] Jeff Reiter, "The Great Outdoors," 91 Dairy Foods Magazine 37 (1990).

[35] Lisa Marie Petersen, "Outside Chance," 2 MEDIAWEEK 20 (1992).

[36] Echoing the academic literature, Jody Token, Do-It-Yourself Retailing (June 1993), points out that the "problem retailers face is how to allocate precious advertising funds." The author advises that "the right media mix is the one that brings you the biggest return for your money."

Market Participants: Sellers. Third, there is no doubt whatsoever that the sellers of advertising time and space recognize that they compete with one another. For example, newspapers generally recognize the full range of competition in their Form 10-K reports, which are required by the Securities and Exchange Commission. These reports are prepared for the investment community and are reliable measures of a company's view of its market and overall competitive position.

The New York Times Co., which also owns the Sarasota Herald Tribune, explained in its 10-K for 1995 that the New York Times "competes with newspapers of general circulation in New York City and its suburbs. The 10-K also indicated that the Times competes in varying degrees with national publications such as The Wall Street Journal, USA Today, magazines, television, radio, and other media." The 10-K also notes that "[t]he Regional Newspapers ... compete with a variety of other advertising media in their respective markets."[37] Knight-Ridder, Inc., which owns the Miami Herald, has reported that "[a]ll of the company newspapers compete for advertising . . . with broadcast and cable television, radio, magazines, non-daily suburban newspapers, free shoppers, billboards and direct mail."[38]

Firms in the outdoor advertising sector also recognize the breadth of competition among media. For example, Outdoor Systems, a major national billboard company, disclosed in its 1993 Form 10-K that it "competes in each of its markets with other

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[37] New York Times, 1995 SEC Form 10-K, at p. 9.

[38] Knight-Ridder, 1993 SEC Form 10-K, at p. 7.